



Accelerate Your Business

Indiana Economic Development Corporation

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Tiffany Mulligan
Staff Attorney
Indiana Department of Transportation

Dear Ms. Mulligan,

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Department of Transportation ("INDOT") and contained in LSA Document # 07-36, which amends 105 IAC 11 to allow for the electronic bidding of construction contracts. Entities affected by the rule include companies bidding on INDOT construction work. For fiscal year 2006, a total of 178 construction companies submitted 1,943 bids to INDOT. Although current records do not have the necessary information to determine what portion of these entities may be classified as small businesses, INDOT believes that companies submitting bids for projects with a total value of less than \$500,000 are more likely to be small businesses. INDOT records indicate that 137 companies submitted a total of 555 bids for contracts of \$500,000 or less in fiscal year 2006. The proposed rule may also indirectly affect subcontractors if they voluntarily elect to use the electronic bidding system. Based on reports submitted by prime contractors, 346 firms received a total of 2490 subcontracts in Fiscal Year 2006.

The impact statement submitted by INDOT indicates the net impact of the rule changes will result in costs savings for affected entities. There will be no additional administrative or reporting costs attributable to the rule changes. Economic costs associated with the rule changes consist of monthly registration fees for participation in the electronic bidding system. Businesses wishing to participate in electronic bidding would be required to pay a monthly registration fee of \$35 and monthly bidding fees of \$15 per state. Assuming that a bidder is not already a subscriber to the electronic bidding system for another state the bidder's cost to submit bids electronically would total \$600 annually. However, INDOT believes that cost savings achieved through efficiencies attributable to the electronic bidding system will result in a net benefit for affected entities. INDOT estimates electronic bidding will save companies \$499 per year in costs associated with paper based bidding such as binding and tabulating paper bids and the required purchase of bid books. Additional savings are attributable to the elimination of shipping and travel costs and a reduction in worker hours needed to produce electronic bids as opposed to paper based bids. When the effects of these savings are accounted for, INDOT estimates that bidders submitting bids on contracts of less than \$500,000 (which are more likely to be small businesses) will receive a net benefit of \$1,776 per year.

The IEDC does not object to the economic impact of the changes contained in the rule, as the rule changes will potentially lead to cost savings for small businesses and for INDOT. If you have any questions about the comments contained herein please contact me at 232-8962 or rasberry@iedc.in.gov.

Regards,

Ryan Asberry
Director - Research